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Finance and Policy

Massachusetts Health Care Cost Trends

Premiums and Expenditures

Appendix A

May 2012



DIVISION OF
Health Care
Finance and Policy

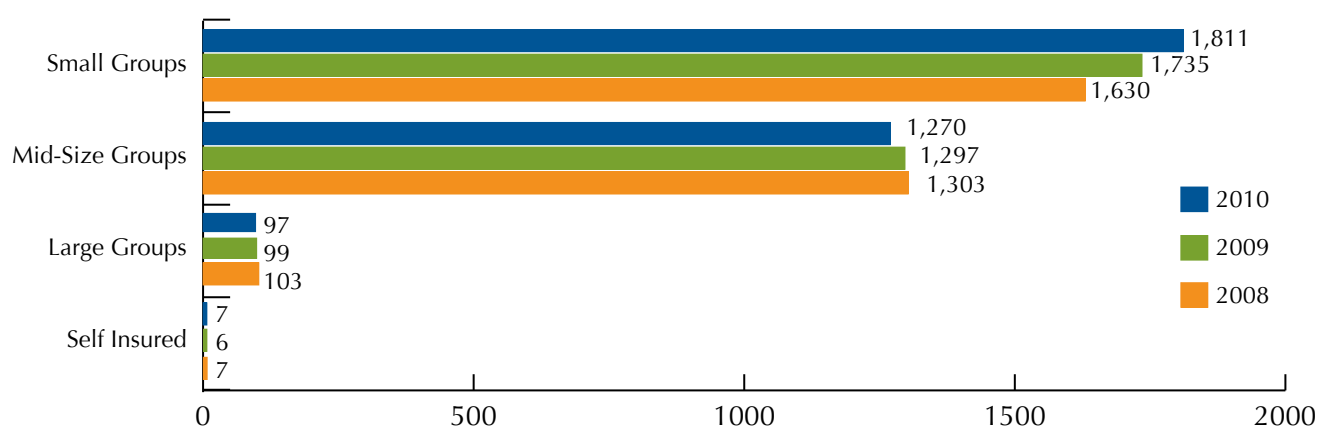
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Table 1. Total Member Months and Distribution of Enrollment in Private Comprehensive Health Insurance Products, 2008-2010

	2008		2009		2010	
	Member Months (in millions)	Percent of Member Months	Member Months (in millions)	Percent of Member Months	Member Months (in millions)	Percent of Member Months
Individual Pre-Merger Products	0.2	0.4%	0.0	0.1%	0.0	0.0%
Individual Post-Merger Products	0.6	1.4%	0.8	1.9%	0.9	2.1%
Individual Total	0.8	1.7%	0.9	2.0%	0.9	2.1%
Small Group	7.5	16.7%	6.9	15.5%	6.5	14.9%
Mid-Size Group	8.6	19.0%	8.3	18.6%	8.0	18.2%
Large Group	5.8	12.9%	5.5	12.3%	5.0	11.5%
Self Insured	22.4	49.7%	23.1	51.7%	23.4	53.3%
Total	45.0	100.0%	44.6	100.0%	43.8	100.0%

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Figure 2. Average Group Size by Insurance Market Sector, 2008-2010

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Note: Average group size is based on the number of enrolled subscribers (employees) per employer group.

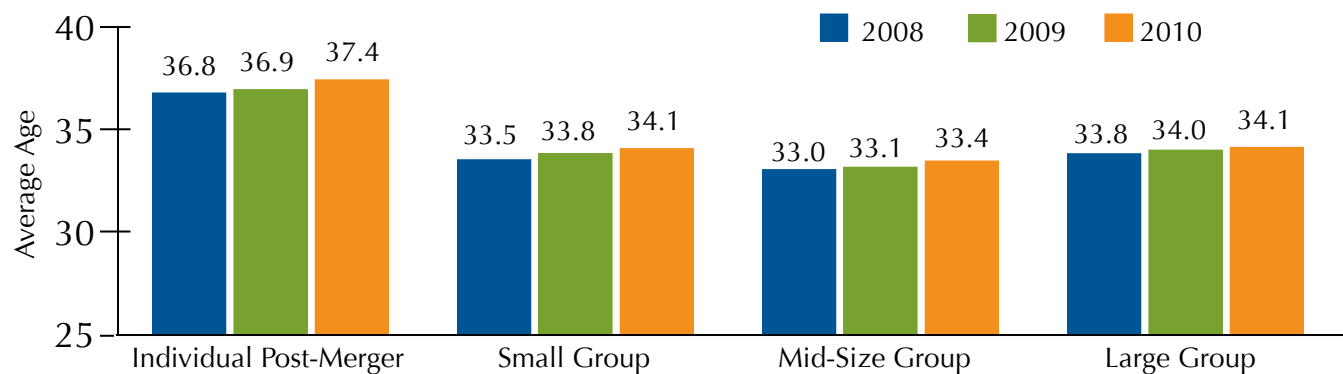
Table 2. Percent Change in Member Months and Average Group Size in Private Comprehensive Health Insurance Products, 2008-2010

	2008 to 2009		2009 to 2010	
	Percent Change in Member Months	Percent Change in Average Group Size	Percent Change in Member Months	Percent Change in Average Group Size
Individual Pre-Merger Products	-76.1%	n/a	-68.0%	n/a
Individual Post-Merger Products	34.9%	n/a	9.3%	n/a
Individual	11.6%	n/a	5.8%	n/a
Small Group	-8.1%	-8.2%	-6.0%	7.4%
Mid-Size Group	-3.2%	-3.9%	-3.8%	-1.5%
Large Group	-5.5%	-0.4%	-8.2%	-2.1%
Self Insured	3.2%	6.4%	1.2%	4.4%
Total	-0.9%		-1.9%	

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Notes: Average group size is based on the number of enrolled subscribers (employees) per employer group, and not the number of members. Percent-age change in average group size is based on unrounded results.

Figure 3. Average Age in Private Comprehensive Health Insurance Products by Insurance Market Sector, 2008-2010



Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

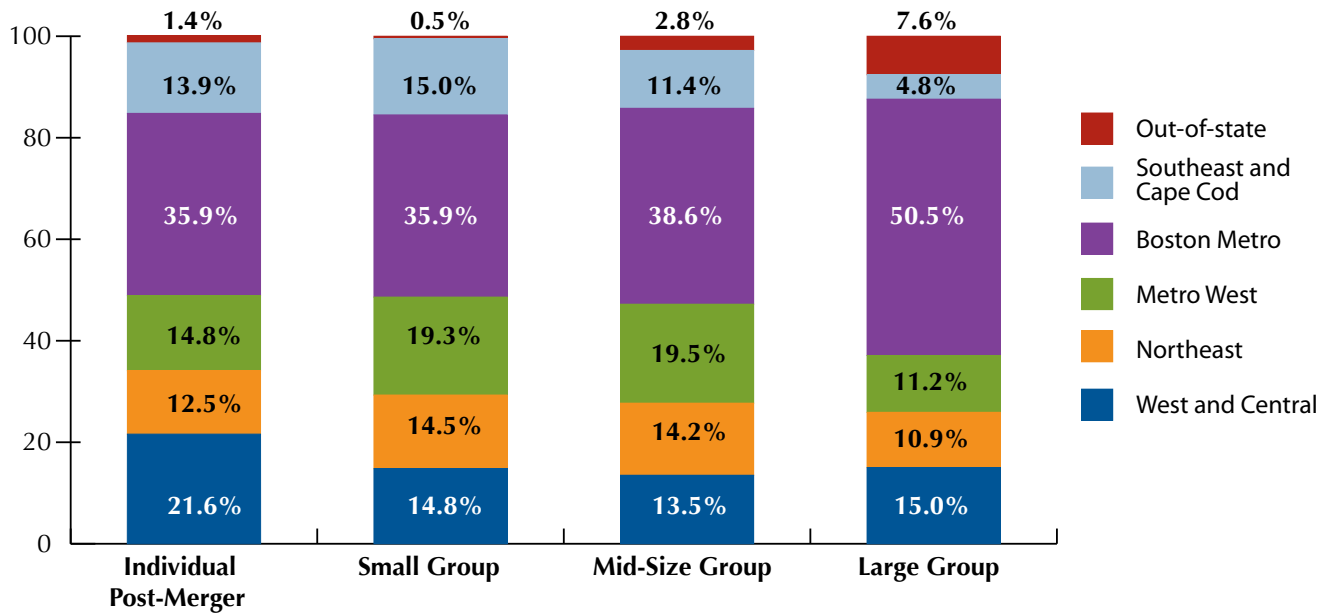
Table 3. Unadjusted and Adjusted Premiums PMPM, Variation, and Percent Change in Premiums for Private Comprehensive Health Insurance Products, 2008-2010

Unadjusted Premium PMPM					
	Premium PMPM			Percent Change	
	2008	2009	2010	2008-2009	2009-2010
Small Group	\$370	\$378	\$393	2.2%	3.8%
Mid-Size Group	\$363	\$383	\$396	5.6%	3.5%
Large Group	\$391	\$408	\$418	4.5%	2.4%
Variation	8%	8%	6%		
Adjusted for: Age and Gender					
	Premium PMPM			Percent Change	
	2008	2009	2010	2008-2009	2009-2010
Small Group	\$420	\$425	\$442	1.2%	4.1%
Mid-Size Group	\$390	\$408	\$417	4.8%	2.2%
Large Group	\$403	\$419	\$428	4.0%	2.1%
Variation	8%	4%	6%		
Adjusted for: Geographic Area					
	Premium PMPM			Percent Change	
	2008	2009	2010	2008-2009	2009-2010
Small Group	\$377	\$385	\$400	2.3%	3.8%
Mid-Size Group	\$366	\$386	\$399	5.5%	3.5%
Large Group	\$393	\$410	\$420	4.4%	2.4%
Variation	8%	7%	5%		
Adjusted for: Benefits					
	Premium PMPM			Percent Change	
	2008	2009	2010	2008-2009	2009-2010
Small Group	\$488	\$535	\$590	9.5%	10.3%
Mid-Size Group	\$446	\$488	\$519	9.4%	6.4%
Large Group	\$463	\$493	\$518	6.4%	5.1%
Variation	9%	10%	14%		
Adjusted for: Group Size					
	Premium PMPM			Percent Change	
	2008	2009	2010	2008-2009	2009-2010
Small Group	\$353	\$361	\$375	2.2%	4.1%
Mid-Size Group	\$363	\$383	\$396	5.6%	3.5%
Large Group	\$391	\$408	\$418	4.5%	2.4%
Variation	11%	13%	11%		
Adjusted for: All Factors					
	Premium PMPM			Percent Change	
	2008	2009	2010	2008-2009	2009-2010
Small Group	\$539	\$584	\$647	8.3%	10.8%
Mid-Size Group	\$483	\$524	\$550	8.5%	5.1%
Large Group	\$481	\$509	\$534	5.9%	4.8%
Variation	12%	15%	21%		

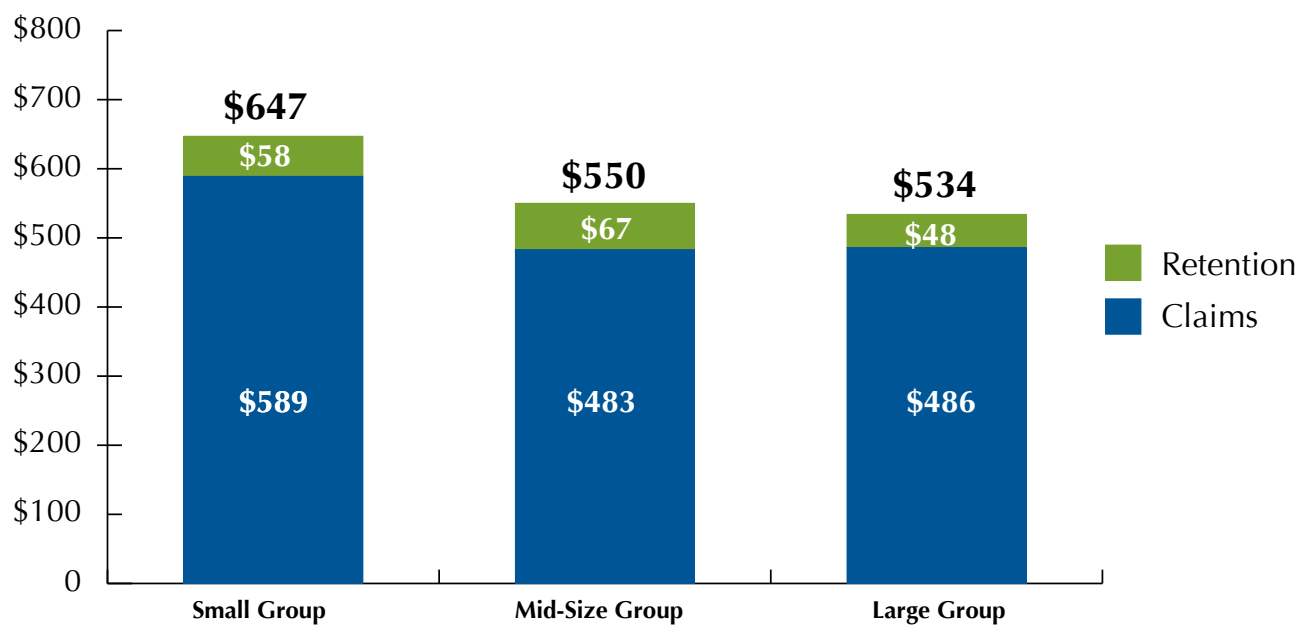
Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Notes: Trend rates were calculated from un-rounded pmpm amounts (not shown).

Figure 4. Percent Distribution of Enrollment in Private Comprehensive Health Insurance Products by Region, 2010



Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives. Note that region is based on the zip code of the employer and not the member in group sectors.

Figure 5. Decomposition of Premium PMPM Adjusted for All Rating Factors, 2010

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

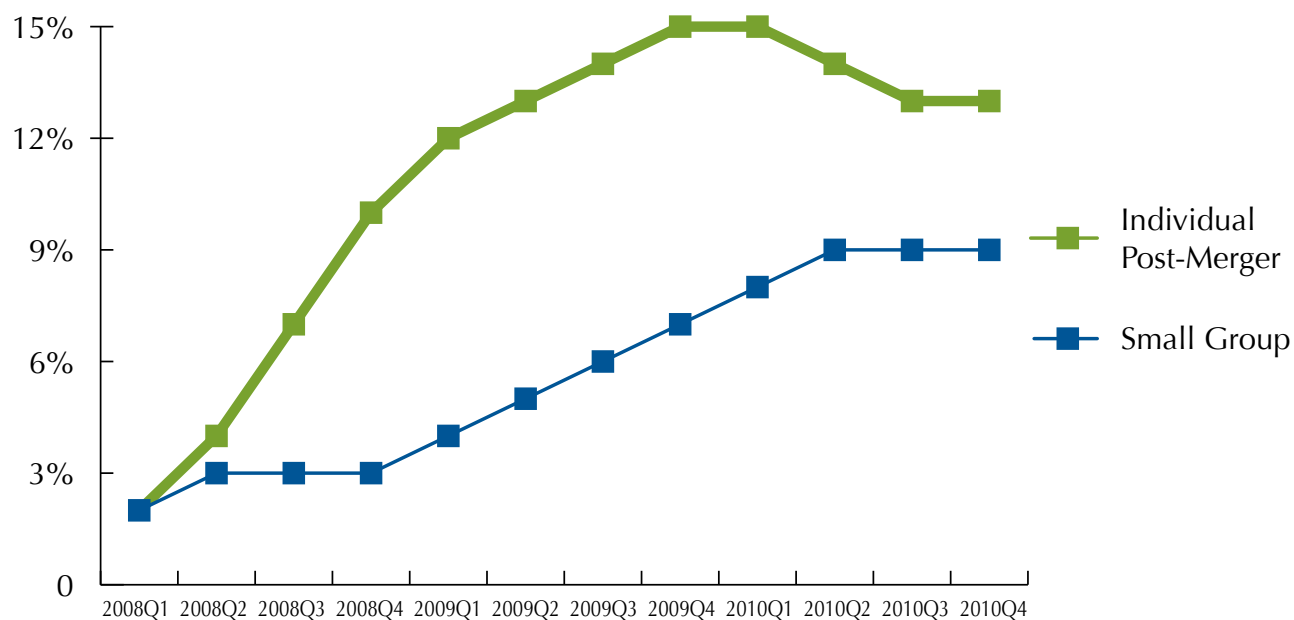
Table 4. Decomposition of Retention Components Used in Pricing Private Comprehensive Health Insurance Products, April 2011

	Low retention	Average retention ^a	High retention
Retention %			
Merged Individual and Small Group	7.6%	10.0%	13.7%
Mid-Size Group	8.2%	10.7%	19.4%
Large Group	6.7%	9.7%	19.4%
Contribution to Surplus/Profit as Percent of Total Premium			
Merged Individual and Small Group	0.0%	0.5%	1.9%
Mid-Size Group	0.9%	1.9%	4.8%
Large Group	0.9%	1.6%	4.4%
Commissions as Percent of Total Premium			
Merged Individual and Small Group	0.9%	2.0%	4.1%
Mid-Size Group	1.0%	2.0%	3.0%
Large Group	0.7%	1.4%	3.0%
General Administrative Expense as Percent of Total Premium			
Merged Individual and Small Group	4.8%	6.5%	7.3%
Mid-Size Group	4.8%	5.6%	10.5%
Large Group	4.5%	5.3%	10.5%
Premium Tax as Percent of Total Premium			
Merged Individual and Small Group	0.0%	0.3%	2.5%
Mid-Size Group	0.0%	0.6%	3.3%
Large Group	0.0%	0.9%	3.0%
Medical Management Expense as Percent of Total Premium			
Merged Individual and Small Group	0.2%	0.7%	1.8%
Mid-Size Group	0.3%	0.6%	1.8%
Large Group	0.3%	0.5%	1.8%

Source: Oliver Wyman analysis of rating data for insurance carriers in Massachusetts.

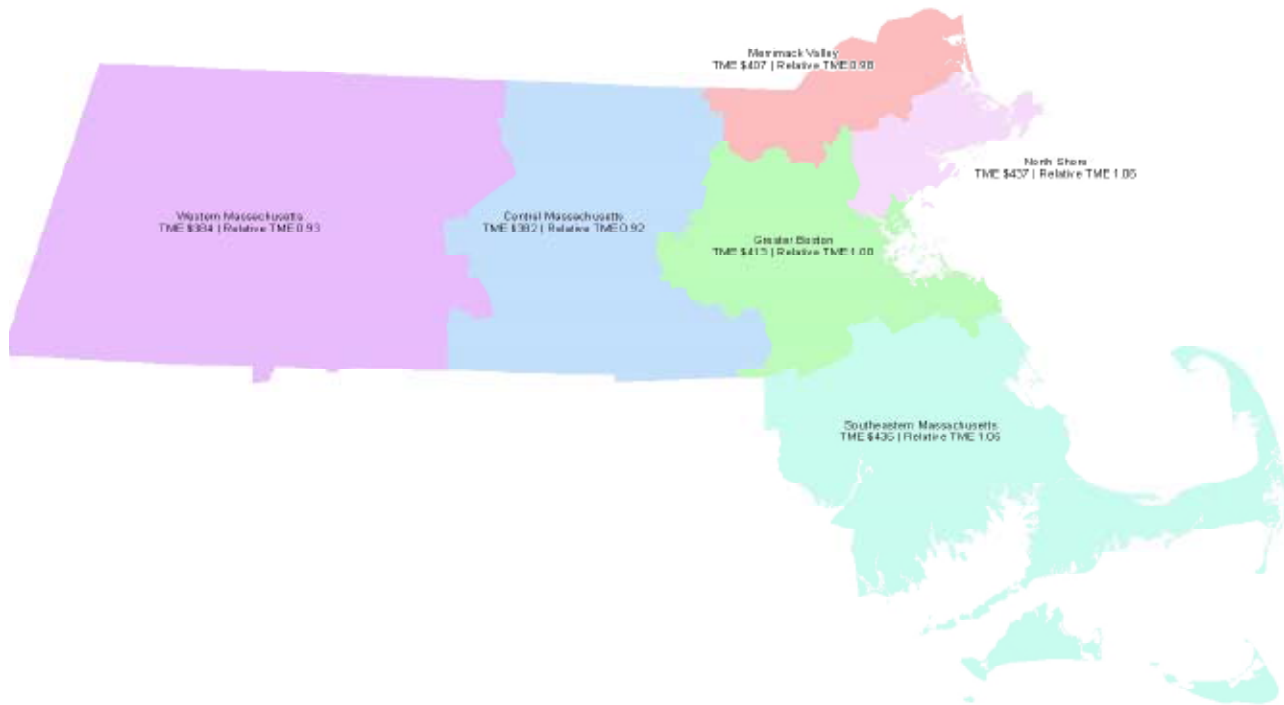
Notes: Retention is defined as the portion of premium maintained by the carriers to pay for administrative expenses and contribution to surplus or profit. Retention is equal to 1 minus the loss ratio. While the sum of contribution to surplus or profit, commissions, and general administrative expense is equal to the total retention for a given carrier, the low and high amounts shown are calculated separately for each component across the carriers and, therefore, do not sum to the total.

a The average shown is weighted by membership.

Figure 6. Percent of Enrollees in PPO Product Type, 2008 - 2010

Source: Oliver Wyman analysis of data from Massachusetts carriers for resident and non-resident insured lives.

Figure 7. Unadjusted Commercial 2010 TME and Relative Commercial 2010 TME by Geographic Region



	TME	Relative TME
Western Massachusetts	\$384	0.93
Central Massachusetts	\$382	0.92
Merrimack Valley	\$407	0.98
Greater Boston	\$413	1.00
Southeastern Massachusetts	\$436	1.05
North Shore	\$437	1.06

Figure 8. Blue Cross Blue Shield of Massachusetts Health Status Adjusted Commercial 2010 TME by Parent Physician Group

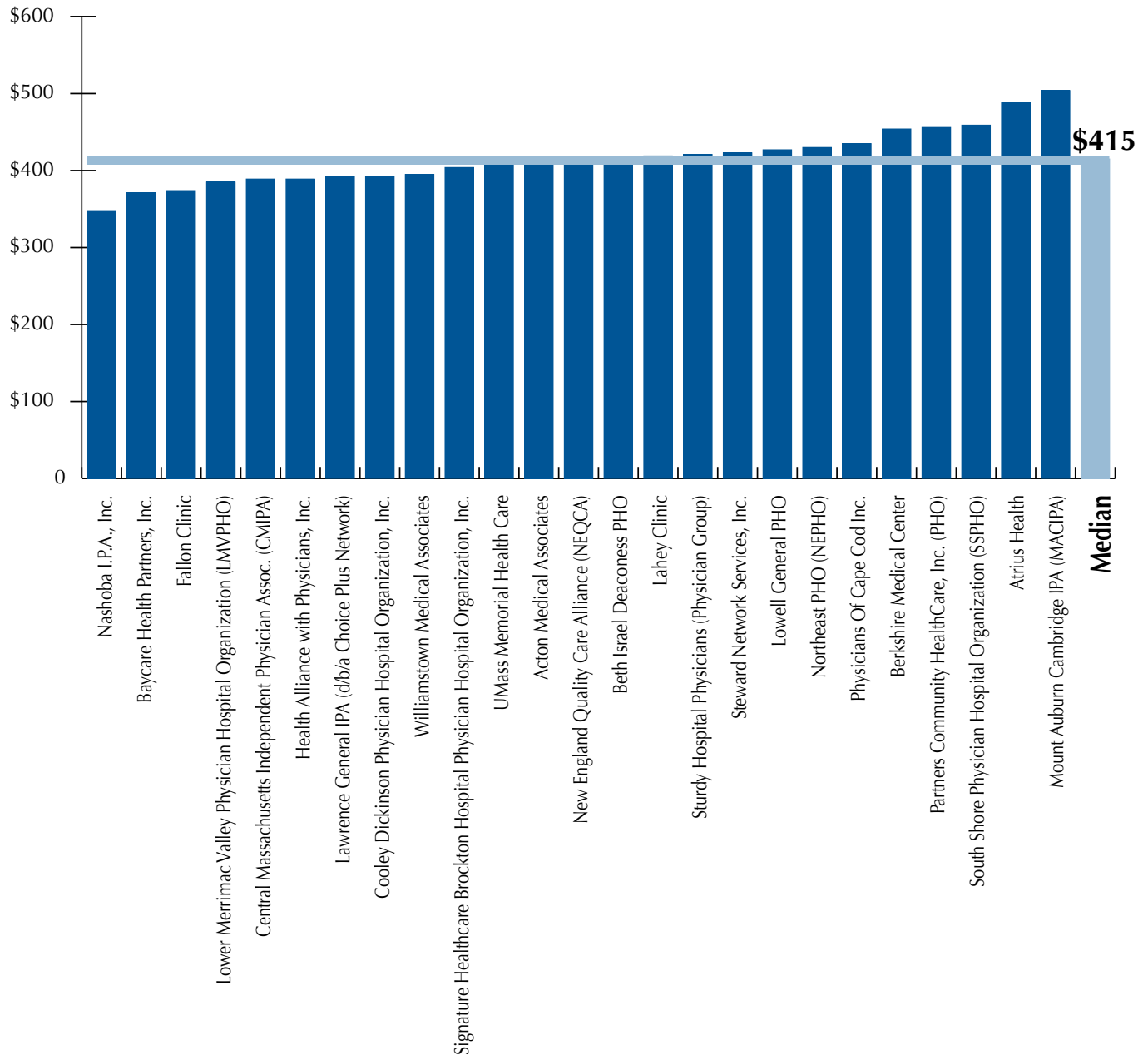


Figure 9. Tufts Health Plan Health Status Adjusted Commercial 2010 TME by Parent Physician Group

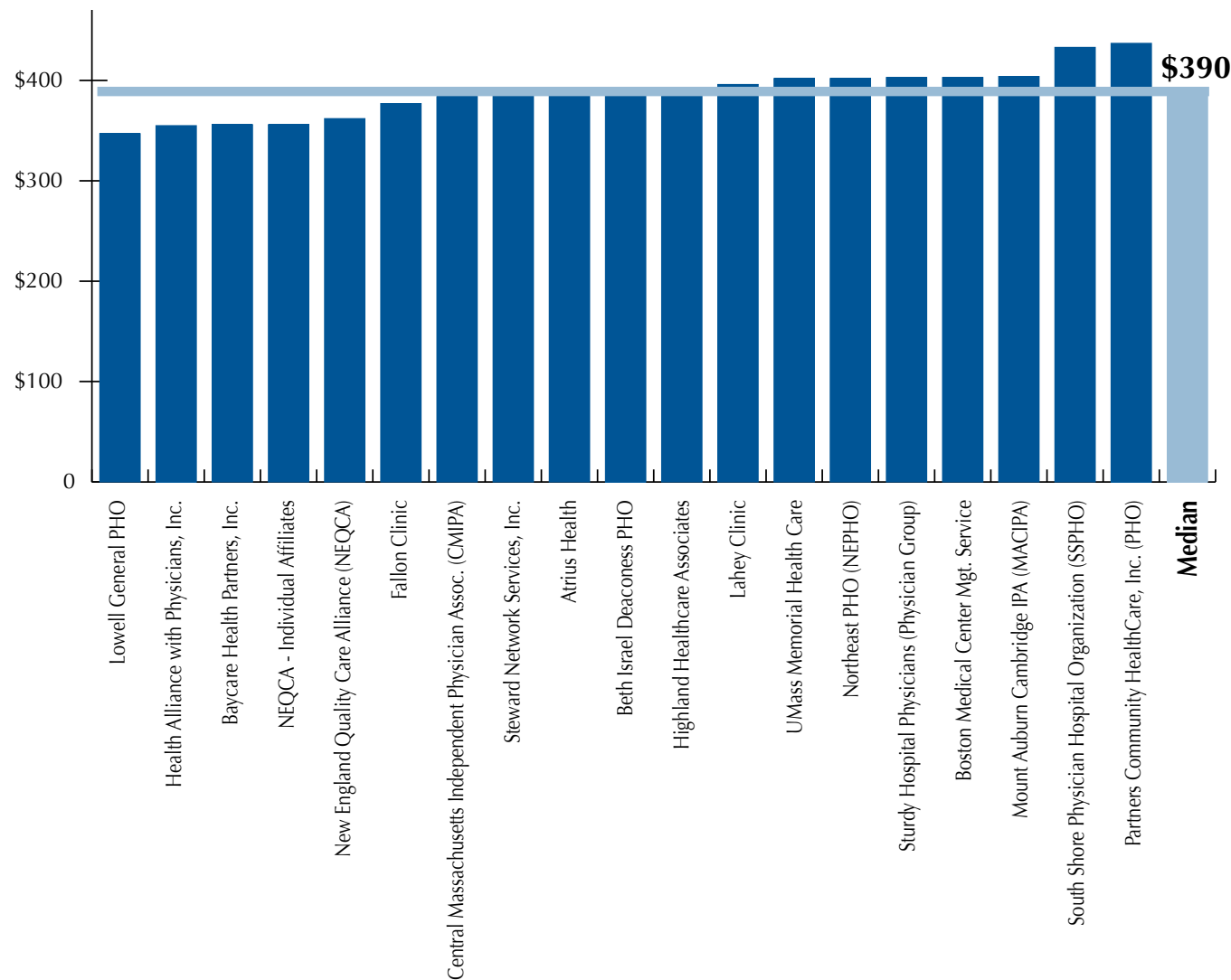


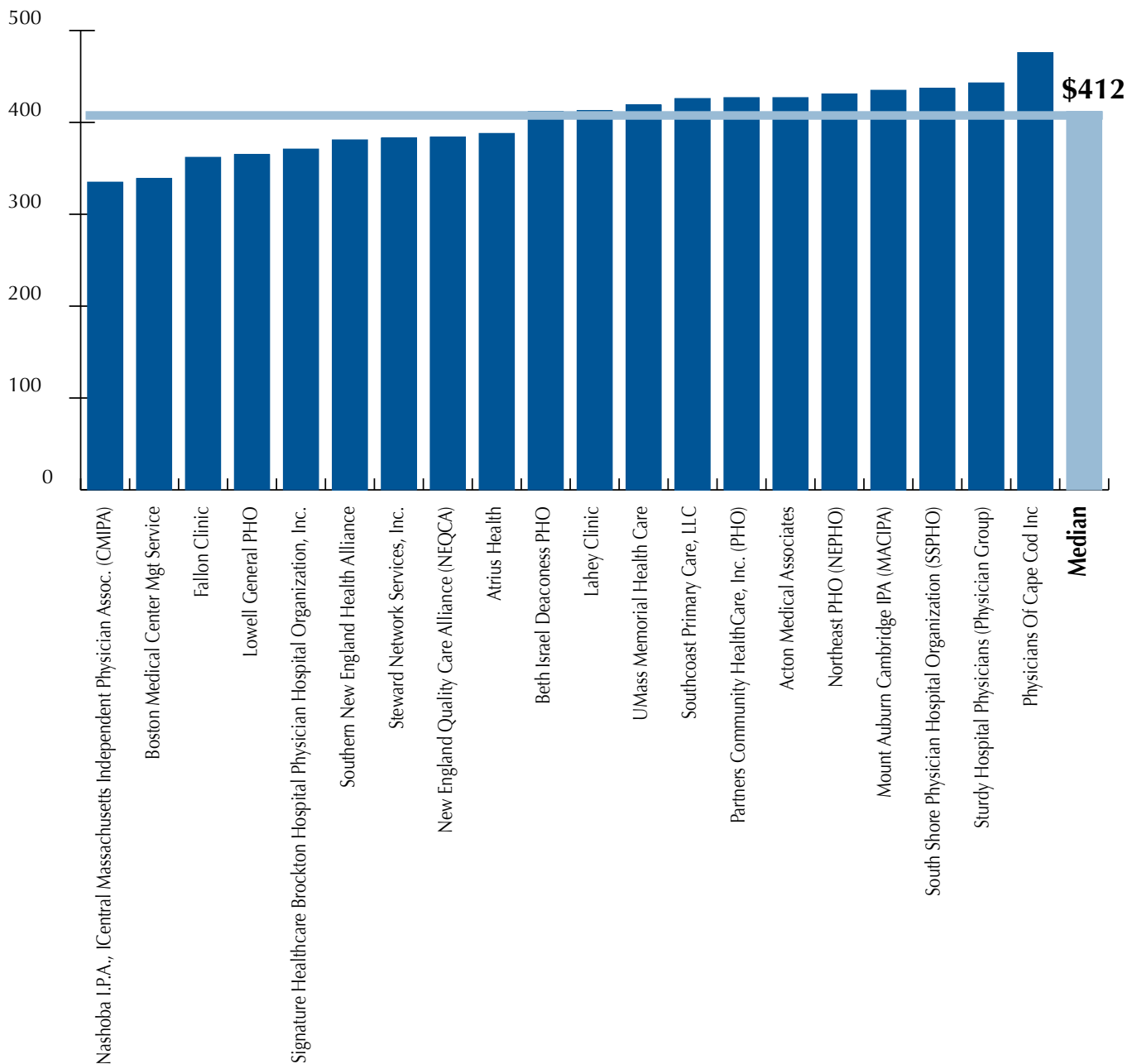
Figure 10. Harvard Pilgrim Health Care Health Status Adjusted Commercial 2010 TME by Parent Physician Group

Table 5. Higher and Lower Health Status Adjusted Commercial TME Physician Groups Across Payer Networks**

Higher Relative TME	Lower Relative TME
Acton Medical Associates*	Baycare Health Partners, Inc.
Lahey Clinic*	Central Massachusetts Independent Physician Assoc. (CMIPA)
Mount Auburn Cambridge IPA (MACIPA)	Fallon Clinic
Northeast PHO (NEPHO)	Health Alliance with Physicians, Inc.
Partners Community HealthCare, Inc. (PHO)	New England Quality Care Alliance (NEQCA)*
Physicians Of Cape Cod Inc.	Signature Healthcare Brockton Hospital
South Shore Physician Hospital Organization (SSPHO)	Physician Hospital Organization, Inc.
Sturdy Hospital Physicians (Physician Group)	
Other Parent Physician Groups***	
Atrius Health	
Berkshire Medical Center	
Beth Israel Deaconess PHO	
Boston Medical Center Mgt. Service	
Cooley Dickinson Physician Hospital Organization, Inc.	
Highland Healthcare Associates	
Lawrence General IPA (d/b/a Choice Plus Network)	
Lowell General PHO	
Lower Merrimac Valley Physician Hospital Organization (LMVPHO)	
Nashoba I.P.A., Inc.	
NEQCA - Individual Affiliates	
Southcoast Primary Care, LLC	
Southern New England Health Alliance	
Steward Network Services, Inc.	
UMass Memorial Health Care	
Williamstown Medical Associates	

* Denotes physician groups at 1.00 for at least one payer.

** Physician groups were included in this analysis if they had at least 36,000 member months, the equivalent of 3,000 members, in managed care plans for a given payer over the reporting time period.

*** Includes physician groups that were not consistently high or low across payers, as well as groups that only had 36,000 member months with one payer.

Highlighting denotes physician groups that were Higher Relative TME in 2009 and 2010, or were Lower Relative TME in 2009 and 2010.



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